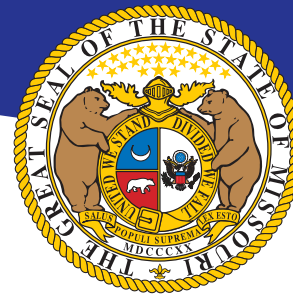


D I F P



Gov. Blunt signs anti-fraud protections for Missouri home buyers

In 2007, Gov. Matt Blunt signed legislation to reform Missouri's title insurance market. The new laws fight fraud to improve consumer protection for Missourians.

All Missouri homeowners with a mortgage are required to purchase title insurance when buying a home. In the last several years, a handful of title insurance agencies used customers' money inappropriately and were ultimately forced to close because of the abuse. Senate Bill 66, sponsored by Sen. Scott Rupp, ensures Missourians' hard-earned money will be used fairly and appropriately by placing tight restrictions on escrow funds. The law also promotes competition by clarifying a duty to fully disclose to consumers separate price information for insurance premium and title service charges and by requiring mandatory audits of an insurance agency's transactions.



Matt Blunt
Governor



Doug Ommen
Director

"No Missourian should have to fall victim to the potentially devastating impacts of insurance fraud," Gov. Blunt said. "This bill enacts important provisions to protect Missourians purchasing a new home or investing in their future and cracks down on loopholes to put a stop to unscrupulous insurance agents and ensure all agents protect their customers' best interest."

"We are actively working with businesses to solve a serious problem for consumers, financial institutions and the title insurance industry," Director Doug Ommen said. "Missouri families need to know their transaction will go smoothly, and this legislation will help ensure that residential title and escrow problems we have seen throughout Missouri are dramatically reduced."

The department began analyzing Missouri's title insurance business in the fall of 2006 when it started a series of on-site investigations of title insurance agencies. Administrative actions were filed against 16 title insurance agencies alleging that these agencies misrepresented, concealed or suppressed information from consumers regarding the actual cost of a title insurance policy and title service charges. Unfortunately, these findings proved to hold true throughout most of the market.

To implement the new law, Director Ommen appointed a Title Insurance Advisory Committee to work with the department to find the best ways to administer the new provisions and create regulations.

Department gets new enforcement tools to better protect Missouri consumers

Senate Bill 66 not only provides extensive title insurance reform measures, it gives the department uniform enforcement powers, efficient funding mechanisms and regulatory authority over medical discount plans. Each of these reforms allows the department to more effectively and efficiently protect the financial security of Missourians.

“I applaud the General Assembly for making the much needed changes my administration has been seeking since I took office,” Gov. Matt Blunt said. “This legislation will close the consumer protection gap in annuity sales and help prevent future title insurance agency failures by giving the department the tools they need to protect Missouri consumers.”

“This legislation will give our department better tools to stop the sometimes dishonest and unfair practices occurring with medical discount plans and all lines of insurance,” Director Doug Ommen said. “Better enforcement powers and new funding structures will assist the department in taking action against improper practices in a more cost-efficient and effective manner.”

Senate Bill 66 contains these reform provisions:

Enforcement Powers

- Allows the department to implement disclosure and suitability rules that guide insurance and financial professionals and protect consumers in the sale of annuities and life insurance products.
- Gives the department authority to obtain meaningful civil penalties of up to \$1 million per violation if fraudulent insurance practices cause financial loss to consumers.
- Increases continuing education requirements for all insurance producers from 10 hours to 16 hours every two years with training requirements in business ethics and consumer suitability.

Medical Discount Plan Regulation

- Allows the department to examine and investigate the business and affairs of any discount medical plan organization.
- Requires organizations to reimburse periodic charges of members who cancel their membership within the first 30 days after receipt of the membership materials.
- Establishes clear disclosure requirements for advertisements, marketing materials and brochures.

Funding Structures

- Revises fees for health services corporations, health maintenance organizations and insurance companies for a more simplified billing structure.
- Allows flexibility to perform financial and market conduct examinations in the most cost-efficient and effective manner for both the department and insurance companies.
- Eases regulatory burden for insurance companies while allowing the department to implement innovative forms of oversight to ensure proper compliance.

Gov. Blunt expands health care coverage for Missourians

Gov. Matt Blunt signed legislation to expand health coverage for Missourians. House Bill 818 implements important provisions to help reduce the number of Missourians without insurance.

“This is a powerful bill that will enable more Missourians to access health insurance coverage,” Gov. Blunt said. “More than 5 million Missourians have health insurance, but 700,000 are yet to be covered. This bill is a good step toward expanding access to care for Missourians currently without insurance. I am also very pleased we provided tax relief in the legislation by allowing Missourians to deduct the cost of their health insurance premiums.”

House Bill 818, sponsored by Rep. Doug Ervin, works toward building a comprehensive program to expand access to quality health insurance and reduce the number of Missourians who lack coverage.

House Bill 818 includes the following provisions:

- Expands opportunities for Missourians to purchase coverage through the Missouri Health Insurance Pool.
- Provides a tax deduction for all Missourians for health insurance premiums included in their federally adjusted gross income.
- Extends opportunities for coverage for young Missourians entering the workforce by expanding dependent coverage to the age of 25.
- Ensures self-employed Missourians receive a tax credit for federal taxes paid on insurance premiums.

New captive insurance program to create jobs, promote economic growth

Gov. Matt Blunt signed Senate Bill 215 estimated to add as much as \$10 million to the state's revenue over the next three years by allowing the formation of captive insurance companies.

"This action will have a positive impact on our state's economy by reducing costs to Missouri businesses, attracting new businesses to this state and creating more jobs for Missourians," Gov. Blunt said. "The new policy supports and empowers the continued economic growth of Missouri while enhancing the state's budget without any increases in tax rates."

Captive insurance companies are formed by a parent company to insure all or part of the parent company's or affiliate company's risks. The captive can provide health, accident, life, property or liability insurance coverage. These insurance companies have several advantages including lower costs and taxes. By self-insuring, businesses eliminate some administrative costs found in the private market. They also pay lower taxes by only having to pay one state's taxes.

Estimates indicate 50 or more new captive insurance companies could be formed in the state over the next three years adding as much as \$10 million to the state's revenue from taxes and fees paid by companies. In September, the department announced that John Rehagen will serve as Captive Insurance Program Manager.

Gov. Blunt launches "Own Your Future" Long-Term Care Campaign

This year Gov. Matt Blunt kicked off Missouri's "Own Your Future" Long-Term Care Public Awareness Campaign to help Missourians take an active role in planning ahead for their future long-term care needs.

"Long-term care needs are best met when they are planned for ahead of time," Blunt said. "This campaign encourages increased planning and personal responsibility so Missourians can make the best use of their hard-earned money to take control of their future long-term care needs."

Missouri joined the U.S. Department of Health and Human Services (HHS) to encourage Missourians to start planning and preparing for their long-term care needs. Missouri was chosen by HHS to become the sixteenth state to participate in this educational campaign.

Gov. Blunt reached out to residents between the ages of 45-65 to promote awareness of long-term care needs and encourage people to order a free Long-Term Care Planning Kit. The kit features information about long-term care insurance, financial planning, legal issues and future living and care options.

Blunt also signed legislation that will help Missourians keep more of their money and encourage more people to plan for their future. The new law allows Missourians to deduct 100 percent of the cost of their long-term care insurance. Previously, Missourians were only able to deduct 50 percent of the cost.

For more information about this campaign or Missouri's Long-Term Care Partnership Program, visit Missouri's "Own Your Future" Long-Term Care Public Awareness Campaign Web site at www.ownyourfuture.mo.gov.

New task force tackles mortgage fraud

As mortgage fraud cases continued to rise throughout the nation this year, the department formed a mortgage fraud task force to address the unfair and deceptive mortgage practices affecting Missouri homeowners and investors.

The task force, led by Richard Weaver, deputy director for the Division of Finance, consists of personnel from the Insurance Consumer Affairs Division, the Real Estate Commission and the Real Estate Appraisers Commission.

“Mortgage fraud affects lenders, mortgage brokers, real estate agents, appraisers and, most importantly, consumers,” Director Doug Ommen said. “I have asked this task force to look at this issue from all sides to come up with common-sense solutions to prevent consumers from being stripped of their equity or being faced with foreclosure.”

Mortgage fraud may be aimed at unsuspecting consumers. A common scheme often involves a speculator who, with the aid of an unethical appraiser and real estate agent, makes a series of false sales transactions to inflate the price of a home. The unsuspecting consumer ends up paying far more for the property than what it is worth, and the lender may ultimately take a loss in the event of foreclosure.

Sometimes the consumer or purchaser may be involved in the fraud. Consumers may want a home badly enough that they are willing to falsify their income and expense figures on the loan application to mislead the lender.

“It is especially troubling that some persons – even consumers, believe that falsifying documentation in a real estate sale or financing is an acceptable practice,” Weaver said.

Another common scheme involves both a seller and a buyer. In these cases, a seller or real estate agent may suggest that the seller carry back a “dummy” second deed of trust agreeing to destroy it after closing. The sales price is artificially increased by the amount of the second deed of trust, which appears to be a down payment. The deal closes and, as agreed, the seller throws away the second deed while the lender has been tricked into lending 100 percent or more of the actual purchase price of the property.

“Educating consumers and real estate professionals combined with strict criminal sanctions will provide the change needed to protect consumers and to assure

Missouri citizens access to honest and affordable real estate and mortgage markets,” Ommen said.

Director Ommen names new deputy director and general counsel

On March 20, 2007, Director Doug Ommen named Larry McCord as the new deputy director and general counsel for the department.

Larry McCord, Cameron, brings with him extensive knowledge of consumer service industries through his nearly 30 years of experience. He has served as a unit manager for DST Systems, Inc., financial analyst for Sprint, corporate trust officer for UMB Bank and associate attorney for Shaffer Lombardo Shurin, P.C. in Kansas City. He also served in Operation Desert Storm and worked in private practice before taking his former position as Vice President, General Counsel and Assistant Secretary for Cameron Insurance Companies.

“Larry’s experience and education will provide excellent leadership for this department,” Director Doug Ommen said. “His legal and business background will provide insight into both consumer protection and industry regulation in Missouri’s marketplace.”

McCord is a member of the Missouri Bar Association, the Kansas Bar, the Kansas City Metropolitan Bar Association and the American Bar Association. He serves as mayor of the city of Cameron, earned an Associate in Reinsurance (ARe) designation and is working toward Chartered Property & Casualty Insurance Underwriters (CPCU) certification. He graduated from Missouri Western State University before receiving both a Master’s of Business Administration degree with a concentration in finance and a law degree from the University of Missouri-Kansas City.

“I am honored to serve this department and this great state,” said Larry McCord, deputy director and general counsel. “This department plays an important role in every Missourian’s life because it ensures consumers receive fair and equitable treatment in consumer service industries.”

New professional standards improve public protection

New legislation signed by Gov. Matt Blunt provides the Division of Professional Registration with tools to ensure Missourians receive the best possible service from knowledgeable professionals.

The new measures are included in Senate Bills 272 and 308 and House Bill 780 and contain some of the following protections:

- Provide that each child enrolled in kindergarten or first grade shall receive one comprehensive vision examination performed by a state licensed optometrist or physician.
- Increase the number of continuing education hours for optometrists from eight hours every year to 32 hours every two years.
- Allow the Missouri Real Estate Commission and the Missouri Board of Architects, Professional Engineers, Professional Land Surveyors and Landscape Architects to fine licensees for inappropriate acts and take timely action against individuals who are performing unlicensed activity.
- Provide nurses meet specific legal standards, so patients can easily distinguish legally-qualified nurses from other nursing care providers.
- Establish laws for professional mixed martial arts events to monitor the safety of participants.
- Allow the division to create training and education requirements regarding proper hygiene practices for tattoo artists, branders and body piercers.
- Require social workers to complete supervised clinical experience with a qualified clinical supervisor and a minimum of three hours in ethics as part of their continuing education requirements.

Pharmacists gain new authority to better care for patients

Gov. Matt Blunt signed legislation that expands pharmacists' authority to better care for patients and enhances the availability of flu and other vaccinations.

"Improving access to important health services offered through skilled pharmacists will help improve Missourians' health and wellness," Gov. Blunt said.

"This legislation improves efficiency, expands health care options and simplifies physician duties. Allowing pharmacists to administer vaccinations and help manage medication increases Missouri patients' access to these important services."

Senate Bill 195, sponsored by Sen. Jason Crowell, amends the practice of pharmacy to allow pharmacists to administer vaccinations and prescriptions for medication therapeutic plans as authorized by a physician. The legislation also allows pharmacists to administer flu vaccines by written protocol for Missourians over 12 years old.

The bill also authorizes the Board of Pharmacy to create a new "Well-being Committee" to promote early identification, intervention, treatment and rehabilitation of licensed pharmacists who are impaired by illness, substance abuse or any other physical or mental condition. The board may require a pharmacist to submit identification, treatment or rehabilitation to the Well-being Committee as a condition to issuing or renewing a pharmacist's license.

Gov. Blunt unveils rules to protect Missouri's military families from predatory insurance sales practices

Under the direction of Gov. Matt Blunt, the department filed rules this year to stop predatory and abusive sales of life insurance products to the state's active military personnel.

"With this announcement we are making it clear that in Missouri we have no tolerance for false, misleading and deceptive life insurance sales practices," Gov. Blunt said. "This is another example of how we are supporting Missouri military families by protecting our men and women in uniform."

"We will not tolerate insurance professionals taking advantage of the military service members who serve our state and country," Director Doug Ommen said. "The safeguards established in these rules will help ensure Missouri's service members are receiving sound life insurance advice."

The department anticipates the rules will become effective in June 2008. The following sales practices are prohibited under the proposed rules:

- Soliciting service members in a group meeting that is mandatory.
- Knowingly making appointments with service members during their normally scheduled duty hours or in places not approved by the installation commander.
- Misleading use of military direct deposit devices for the purchase of life insurance.
- Using military personnel as representatives to sell life insurance to subordinates.
- Misrepresenting life insurance products as being endorsed by the U.S. military.
- Selling a life insurance product that does not cover a loss or death in the line of duty.
- Recommending any life insurance product, unless it is suitable for the particular needs of the service member.

DIFP efforts result in refunds to Missouri employers

The Insurance Market Regulation Division secured refunds totaling nearly \$2.5 million from insurers to compensate more than 21,000 workers' compensation policyholders this year.

In 2005, the National Council on Compensation Insurance (NCCI) identified an error in their rate-making system. The system omitted historical payroll information in roughly 90 classification codes for the years 2003, 2004 and 2005. This missing payroll data resulted in advisory loss costs being overstated and caused some policyholders to pay higher premiums as a result.

The department directed NCCI to recalculate the advisory loss costs for the affected years. Missouri was one of 12 states to request this recalculation. At the same time, the department directed insurers to identify policyholders in the classification codes affected by this error and to refund any overcharged amounts above \$10. The policy identification process began in May 2006 and continued through the end of the year. The department estimates that of the roughly 51,000

policies reviewed, about 21,000 were affected by the error. The average return for policies in Missouri was approximately \$121, and the largest single amount returned to one Missouri business was \$107,259.

"When employers are forced to pay more than their fair share for an insurance product we run the risk of stifling economic growth," Blunt said. "I commend Director Ommen and his staff for answering my call to identify and correct any error where Missouri's businesses have been overcharged. These refunds will help ensure that Missouri businesses continue to pay only their fair share for these benefits."

"The NCCI thought the error would have little impact on Missouri policyholders, but the department was persistent in its investigation which resulted in refunds for Missouri businesses," Director Doug Ommen said. "I appreciate both the department and industry's efforts and cooperation in correcting this problem."

Advisory loss costs are actuarial estimates of what insured losses and loss adjustment expenses are likely to be in the coming year. They are developed based on historical payroll information and used by insurance companies to develop the final premiums for employers. Both the department and NCCI provide insurance companies with advisory loss costs each year to assist companies in setting their final premium rates within Missouri's competitive rating market.

Modernization efforts help department streamline consumer protection and regulatory duties

The department implemented two technological enhancements to improve its services for consumers, producers and the insurance industry it regulates.

First, the department's insurance divisions signed a contract with State Based Systems (SBS) to increase the use of technology for administrative functions and make better use of staff time for consumer protection efforts.

"I have directed state agencies to use technology to better enhance the efficiency of state government and improve customer service for Missourians," Gov. Blunt

said. "I commend the department for answering my call to use technology to make state government work more efficiently while protecting consumers. This action will help save taxpayer dollars and improve the customer experience for Missourians."

"Gov. Matt Blunt asks state departments to review processes and find ways to increase operating efficiencies and reduce the cost of state government," Director Doug Ommen said. "I believe this initiative is yet another example that will meet both of these goals. This new system will enable us to reallocate staff and financial resources to other areas of the department and save considerable time and money with new user-friendly technological advancements."

Implementation of this new system began in January 2008 and will be completed by the end of the year. Eight other state insurance departments already use SBS to meet their back-office processing system needs.

SBS is an electronic system developed by the National Association of Insurance Commissioners (NAIC) in partnership with state insurance departments. It is a robust Web application that automates and streamlines state insurance department regulatory processes.

Second, the Insurance Market Regulation Division announced that paper copies of life, health, property and casualty filings will no longer be retained by the department.

Effective August 1, 2007, all lines of life, health, property and casualty filings accepted by the division will be stored and viewed using an electronic paperless system called SERFF (System for Electronic Rate and Form Filings). Currently, 68 percent of filings received by the division are filed through this system, but the division requests all companies make arrangements to use SERFF exclusively to help streamline the entire review, file storage and public access processes. Faster review of rates, rules and forms will be awarded to companies filing through SERFF.

Rules to protect Missouri seniors from improper insurance sales practices

The department raised the bar this year for those wishing to sell annuities to Missouri seniors by implementing new suitability rules.

"Insurance professionals must put the needs of seniors above their bottom lines," Gov. Matt Blunt said. "Missouri seniors deserve to be served fairly and honestly by competent agents and these rules make it clear to professionals wanting to do business in Missouri that we do not tolerate anyone taking advantage of our seniors. They deserve to enjoy the lifestyles they have worked hard for their entire lives."

"Unfortunately, our department has seen an influx of equity-indexed annuity consumer complaints over the past year," Director Doug Ommen said. "These rules will give us the enforcement tools we need to go after insurance producers who take advantage of seniors through unsuitable sales of indexed-annuity products."

Annuity products generally have high commissions for the salesperson and have been sold to some consumers even when they were not right for an individual's specific investment and insurance needs. Many times financial professionals target seniors by offering "free lunch" investment seminars. Nearly all of these seminars turn into sales presentations and possible unsuitable recommendations.

Until 2007, the rules only applied to variable annuities, but now they encompass all annuities. The rules require insurance producers to consider all reasonable information in making a recommendation to a customer including the customer's tax status, age, health status, investment objectives, risk tolerance, investment, insurance and financial experience and liquidity needs.

Producers are prohibited from exchanging or switching contracts with an insignificant benefit for the purpose of accumulating commissions. All information used in making recommendations must be documented and signed by the producer recommending the transaction and supervised by an authorized insurer or qualified entity.

The department anticipates the rules will become effective in July 2008, and they will apply to all annuities sold to individuals.

In addition to these rules, new legislation mandates rules to hold agents accountable to protect a customer's interests. In recent years, there have been incidents in which agents have taken advantage of customers by selling them products that are completely inappropriate for their needs.

One example is selling annuity products to the elderly. Annuities are most commonly intended for long-term investment and do not generally have the flexibility to benefit some older customers. The legislation increases the civil penalties for agents who take advantage of customers from \$100 to a fine of up to \$20,000 per violation, with a maximum penalty of up to \$1 million for multiple violations. If the fraud causes a financial loss to the consumer, penalties of up to \$1 million per violation with no limit for multiple violations may be issued.

Time table set for new private investigator board

The Division of Professional Registration anticipates it will begin licensing private investigators by January 2009 after the completion of board member appointments and the creation of rules to govern the board's activities and authority.

In 2007, Gov. Matt Blunt signed legislation creating the Board of Private Investigator Examiners. This board is charged with licensing and regulating the practice of private investigators in the state.

"I commend Gov. Blunt for signing legislation that will assure Missouri citizens are receiving private investigative services from qualified and competent individuals," said David Broeker, Director of the Division of Professional Registration. "Uniform licensure will assist private investigators by securing one state license versus maintaining multiple licenses from various municipalities throughout the state."

In an effort to inform interested parties of the division's steps to implement this new legislation, a web page has

been created on the division's Web site at <http://www.pr.mo.gov/pi.asp>.

New laws require service contractor providers to be licensed

New laws require both motor vehicle extended service contract and product service contract providers to be licensed with the department.

Typically, consumers purchase service contracts or warranties on products from companies to make sure the repair, replacement or maintenance due to defects or normal wear and tear will be covered for a specific period of time.

House Bill 221, sponsored Rep. Brian Yates, establishes financial requirements to ensure the faithful performance of contracts, provide enforcement authority for the department and set standards for the use of terms and conditions set out in contracts and their advertisements.

"Implementing this law will help consumers better understand these products," Director Doug Ommen said. "We want consumers to receive what they pay for when purchasing these contracts. This new law gives the department authority to prohibit service contractors from selling or offering products that mislead consumers."

Missouri one of four states to receive NAIC accreditation honors at national meeting

Missouri was one of four states to receive an accreditation award as part of the National Association of Insurance Commissioners (NAIC) Financial Regulation Standards and Accreditation Program.

The honor was awarded to the department's Insurance Solvency & Company Regulation Division led by Chief Financial Examiner, Fred Heese. Nebraska, Texas and West Virginia were also honored during the NAIC's Winter National Meeting in Houston.

"This award acknowledges our department's determination and commitment to providing Missouri consum-

ers with the financial security and peace of mind they need when purchasing and maintaining insurance coverage in this state,” Director Doug Ommen said. “The NAIC upholds high accreditation standards, and I am proud that the professionals working in our department continue to meet these high expectations.”

Accredited insurance departments are required to undergo a comprehensive review by an independent review team every five years to ensure state insurance departments continue to meet baseline financial solvency oversight standards. The accreditation standards require departments to have adequate statutory and administrative authority to regulate an insurer’s corporate and financial affairs, as well as the necessary resources to carry out that authority.

Division of Finance takes steps to enhance consumer complaint resolution

The Division of Finance entered into an agreement that will enhance communication and exchange of information to create a more prompt and effective resolution system for consumer complaints.

Eric McClure, Commissioner of the Division of Finance, and Samuel Golden, Ombudsman for Comptroller of the Currency, signed a memorandum of understanding that allows the sharing of complaints received by both agencies regarding financial institutions in Missouri.

“This MOU will allow the Missouri Division of Finance and the OCC to better address consumer complaints and share information about their ultimate resolution,” McClure said.

The Office of the Comptroller of the Currency regulates and supervises all national banks and agencies of foreign banks. Missouri is the fourth state to sign the memorandum since its creation in November 2006.

State Board of Embalmers, Funeral Directors reaches agreement with Federal Trade Commission

The Missouri State Board of Embalmers and Funeral Directors announced that it reached a voluntary agreement with the Federal Trade Commission to protect the public and enhance consumer education. The agreement reiterates a Missouri law which specifically authorizes private individuals to sell caskets and other funeral merchandise without a license from the board. Specifically, § 333.251, RSMo, provides:

Nothing in [Chapter 333, RSMo, governing the practice of funeral directing]...shall apply to nor in any manner interfere with the duties of any officer of local or state institutions, nor shall this chapter apply to any person engaged simply in the furnishing of burial receptacles for the dead, but shall only apply to persons engaged in the business of embalming or funeral directing.

“Section 333.251, RSMo has been in place for over 40 years,” said Kenneth McGhee, chairman of the state board. “To the extent there may be confusion about whether private individuals may sell funeral merchandise in this state, the agreement clarifies the board’s position.”

The agreement is part of an ongoing effort by the board to resolve this issue without further expense to Missourians. In January 2006, the six-member board voted to unanimously amend its regulations to incorporate § 333.251, RSMo. In an attempt to educate the public, the board had multiple public meetings to discuss § 333.251 and the public’s right to sell funeral merchandise.

“The agreement with the FTC was a product of extensive discussion and clearly provides that the board has not been found in violation of any state or federal law,” McGhee said. “Our goal is to ensure Missourians make informed decisions when organizing final arrangements for their loved ones.”

Administration

Douglas Ommen, Director

The governor appoints the department director with the advice and consent of the Senate. The director enforces the laws and regulations of the state, sets policy, manages a staff of 528 full-time employees and oversees a 2008 fiscal year budget of \$35.6 million.

The director's administrative staff includes the deputy director and general counsel, seven division directors, legislative coordinator and public information officer.

The administrative staff assists the director with policy decisions, regulation, legislation, communications and departmental operations.

Larry McCord, Deputy Director & General Counsel

The director appoints a deputy director to assist in managing personnel and administrative duties involving department policies, regulations, legislation, communication and operations.

The deputy director also serves as general counsel, providing legal advice to the director and supervising the department's enforcement attorneys. The enforcement staff represents the Consumer Affairs Division in disciplinary matters before the director and the Missouri Administrative Hearing Commission and represents the director in circuit court in civil enforcement actions. Attorneys conduct hearings on behalf of the director on regulatory matters brought by the Insurance Solvency and Company Regulation Division and the Insurance Market Regulation Division on the acquisition or merger of insurance companies and on proposed regulations and licensing actions against insurance companies.

Receiverships

The Receivership Section assists the director in supervising the rehabilitation and liquidation of insolvent insurance companies and the dissolution of solvent insurance companies that request dissolution. No Missouri domestic receiverships were adjudged insolvent in 2007. Currently, 15 companies remain in receivership.

The department director serves as the receiver of every domestic insurance company ordered into rehabilitation or liquidation by a Missouri court. A rehabilitation order empowers the director to act in place of the officers and directors of the company to restore the financial viability of the company. When that cannot be accomplished, the director applies for a liquidation order and begins the process of collecting all of the outstanding claims against the company and all of its assets. Once this is done, the assets are distributed to claimants pursuant to a statutory priority structure.

Consumer Affairs Division

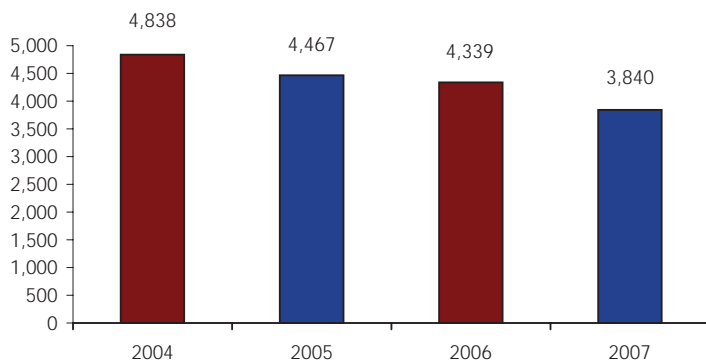
Mary Kempker, Director

- Helps the public resolve complaints, provides information on insurance policies and investigates insurance fraud
- Provides insurance education and outreach activities to Missouri consumers

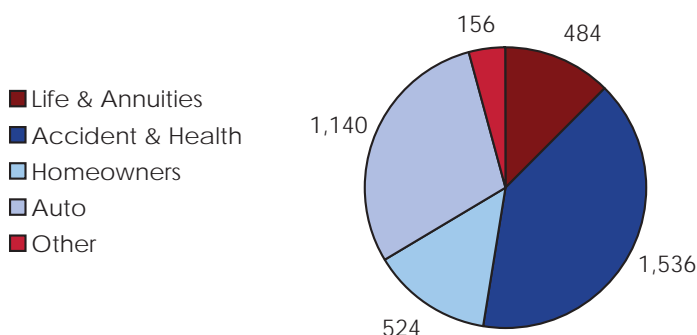
Consumer Services

In disputed insurance claims, the Consumer Services Section acts as a liaison between the consumer and the insurance company. In 2007, consumers opened 3,840 formal complaints against insurance companies and administrators. The department provides a nationwide toll-free number, 1-800-726-7390, to assist consumers and a TDD line for the hearing impaired, 573-526-4536. The section assisted 26,822 persons over the telephone last year.

Number of Complaints, 2004 - 2007



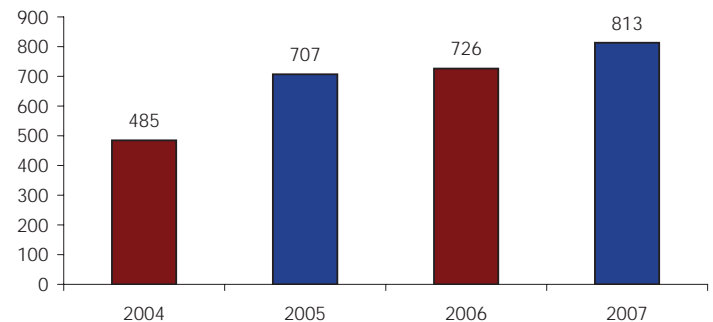
Complaints by Line of Insurance, 2007



Investigations

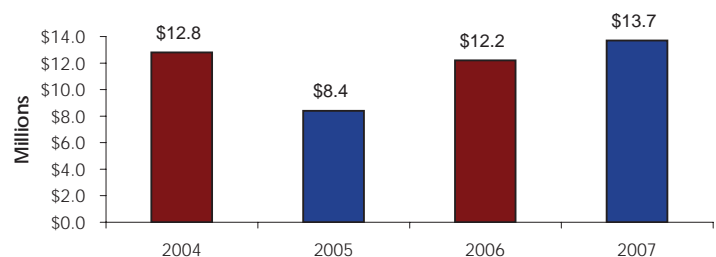
The Investigations Section handles complaints from consumers against insurance producers, bail bond agents and public adjusters. The section also investigates unlicensed activity and reviews license applications referred from the Licensing Section. During 2007, the section conducted 813 investigations.

Number of Investigations, 2004 - 2007



The division recovered over \$13.7 million in 2007 for Missourians from insurance companies and insurance producers who failed to meet their legal obligations to consumers.

Consumer Recoveries, 2004 - 2007



Insurance Solvency & Company Regulation Division

Frederick G. Heese, Chief Financial Examiner

- Monitors and analyzes the financial condition, accounting practices and legal compliance of insurance companies licensed in the state through financial analysis and examinations
- Certifies and collects premium taxes due the state

Captive Insurance Program

A captive insurance company allows a company or group to manage some of their own risks as part of an overall risk management strategy. Captive insurance companies are an in-house self-insurance mechanism owned by a parent company that underwrites the insurance needs of the parent's subsidiaries. Captive insurance laws in Missouri allow for a variety of flexible options to manage mainstream as well as non-traditional risks where traditional insurance coverage may not be readily available or best suited for particular needs.

Since business owners know their risks and understand their operations better than any third party, they are in the best position to manage those risks most efficiently. Some advantages a company could realize from a captive insurance company include:

- Coverage tailored to specific needs
- Premium based on loss experience, not industry average
- Reduced operating costs
- Increased coverage and capacity
- Investment income used to fund losses
- Direct access to wholesale reinsurance markets
- Funding and underwriting flexibility
- Greater control over claims and incentives for loss control
- Additional negotiating leverage with underwriters
- Flexibility in managing risk

Admissions

The Admissions Section licenses insurance companies that conduct business in Missouri. During 2007, the department licensed 1,809 insurance companies. After financial and policy analysts review the company's financial health and proposed forms, the section issues

a certificate of authority to the company and tracks the company's history from its licensure to the present for Missouri policyholders.

2007 Company Changes

New admitted companies	25
Redomestications	36
Mergers	22
Name changes	54
Assumptions of business	7
Amendments to certificate of authority	16
Suspended certificate of authority	5
Revoked certificate of authority	0
Withdrawn certificate of authority	14
Suspended certificate of authority lifted	1
New admitted third party administrators	25

Annual statements of any insurance company doing business in the state are available by calling the Admissions Section at 573-526-5001. The name and address of each company licensed to do business in this state is available at www.difp.mo.gov.

Financial Examination

In 2007, the Financial Examination Section completed 62 financial examinations. The section works with financial analysts to determine each company's examination priority; however, the department examines most of Missouri's 227 domestic insurance companies approximately every three years except for Missouri's 101 county and farm mutuals which are examined every five years.

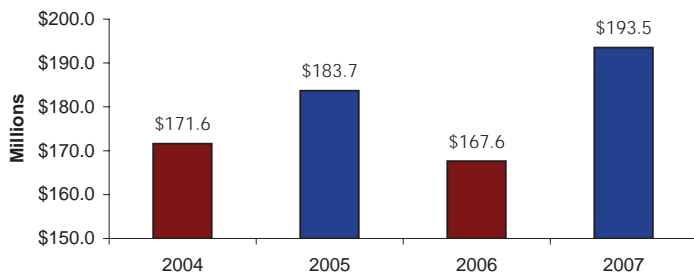
Financial Analysis

The Financial Analysis Section monitors the solvency and legal compliance of all domestic and foreign insurance companies doing business in Missouri. The section also controls joint deposits returned by Missouri law as security for policyholders. The securities are in contracted bank accounts or safety deposit boxes. Security balances are verified through financial examinations. At the end of 2007, the department held \$265.5 million.

Taxation

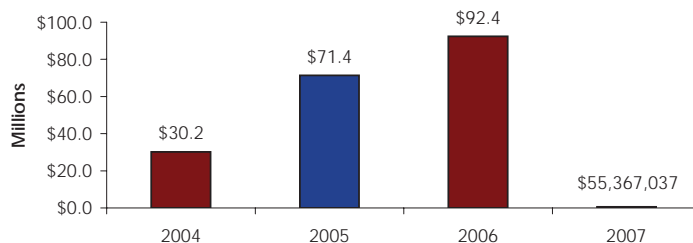
The Taxation Section performs desk audits and determines premium taxes, which insurance companies pay in lieu of income taxes. Annual tax returns are filed March 1 for the previous year's business. After auditing the returns, the department certifies to the Missouri Department of Revenue the tax due from each company. The Missouri premium tax rate is two percent. Due to amended tax returns, certified taxes may not match calendar year premium tax collections.

Premium Tax Collections, 2004-2007



Insurers may reduce their taxes, dollar for dollar, by claiming credits for examination fees, income taxes, franchise taxes, health insurance pool assessments, personal property taxes, insurance guaranty association assessments and other spending ranging from historic preservation to low-income housing spending. At the time of this report's publication, \$55,367,037 credits were used in 2007. This number is subject to change as more data is collected.

Tax Credits, 2004 - 2007



Certified Taxes for 2007

Life Insurance Companies

Missouri premium tax	79,449,715
Retaliatory tax	8,002,616
Total	\$87,472,331

Property and Casualty Insurance Companies

Missouri premium tax	110,189,683
Retaliatory tax	11,241,064
Total	\$121,430,747

Missouri Mutual Insurance Companies

Missouri Premium Tax	\$858,345
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Risk Retention Group Companies

Missouri premium tax	752,573
Retaliatory tax	14,927
Total	\$767,500

Total premium tax	\$210,528,923
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Workers Compensation Premium Tax

Insurance companies	8,248,292
Self-Insured	6,416,222
Total	\$14,664,514

Total Premium Tax & Worker's Compensation Tax	\$225,193,437
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The section also regulates the placement and collection of premium taxes on business written in the non-admitted market. The non-admitted market consists of unlicensed insurers that are eligible, based on financial criteria, to write coverage not available in the general commercial market.

Surplus Lines Premium Tax Collection

Tax Year	Fillings	Taxes Paid
2003	55,759	\$23,702,274
2004	59,906	\$24,624,707
2005	60,985	\$22,386,537
2006	62,911	\$23,619,323
2007	67,425	\$18,759,102

Insurance Market Regulation Division

Linda Bohrer, Director

- Regulates the performance of insurance companies in the marketplace by reviewing policies, rates, products and marketing strategies
- Performs market conduct examinations to ensure equitable treatment of policyholders, determine legal compliance and monitor the insurance marketplace

Market Conduct

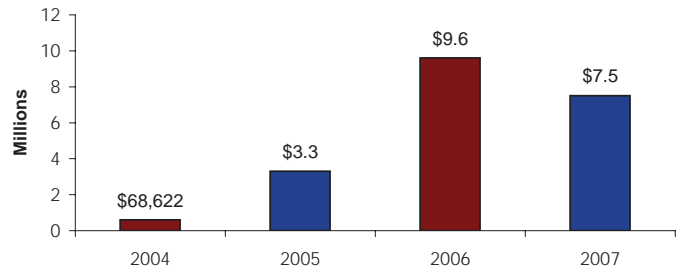
The Market Conduct Examination Section performs exams of insurance companies operating in the state to ensure equitable treatment of policyholders. The department director can call for a market conduct examination at any time. Market conduct examiners review insurers' operations, including marketing, claims handling, policies and rates. If violations of the laws are detected, the director may issue an order requiring future compliance. For some violations, the director may also require insurance companies to pay restitution to Missouri citizens, either through re-adjudication of claims or re-evaluation of the premium charged for the policy. Fines and penalties can also be imposed on an insurance company.

The Market Conduct Section performs examinations of life, accident and health, property and casualty, title insurance companies, health maintenance organizations, health service corporations, third party administrators and statistical reporting agencies. These examinations review some or all of a company's:

- Licensing of insurance producers
- Marketing and advertising practices
- Company rates, rating policies and procedures
- Underwriting
- Policy forms
- Claims handling
- Complaint handling
- Unclaimed property

Market conduct examinations also ensure compliance with nationwide settlements, whether through the federal courts, federal agencies, another state's insurance department or mutual agreements.

Market Conduct Consumer Recoveries, 2004-2007



Statistics

The Statistics Section is part of the department's market conduct operations, reflecting the integral role that in-office market analysis plays in targeting market conduct exams. Statisticians assemble and use databases, publish reports on insurance markets in Missouri and monitor the availability and affordability of insurance coverage in Missouri. The following reports are prepared annually:

- Complaint Index Report
- Market Share Report
- Homeowners Insurance Report
- Private Passenger Automobile Report
- Medical Malpractice Report
- Real Estate Malpractice Report
- Legal Malpractice Report
- Product Liability Report
- Life, Accident & Health Supplement Data Report
- Mortgage Guaranty Insurance Report
- Property & Casualty Supplement Report

Capital stock, resources, insurance in force and the amount and nature of collateral deposited by each insurance company doing business in the state may be obtained by visiting the department's Web site at www.difp.mo.gov.

Managed Care

The Managed Care Section oversees and analyzes the activities and trends of Missouri HMOs. Missouri had 22 licensed HMOs at the end of 2007. Of the 115 Missouri counties, 110 are part of a HMO service area that allows the HMO to sell coverage. The exceptions are Bollinger, Cape Girardeau, Mississippi, Scott and Stoddard counties. In 2007, HMOs began a process of adding counties to their service area, but only for purposes of Medicaid expansion. This process is expected to continue in 2008.

The section publishes the HMO Annual Report which tracks activities such as pharmaceutical costs, enrollment demographics, utilization of basic services, per-member-per-month costs and managed care penetration in Missouri.

All HMOs must file annual network plans to ensure enrollees have timely access, within reasonable traveling distance, to the health care providers they must use. In 2007, the section reviewed 26 networks. Comprehensive information on Missouri HMOs is available at www.insurance.mo.gov/reports/hmo/index.htm.

The section approves registration applications of utilization review agents. These agents, on behalf of managed health care insurers, evaluate the appropriateness and necessity of medical services. The section also processes renewal applications for the 124 active utilization review agents in Missouri.

The Managed Care Section updated the licensure application for utilization review agents. This process has resulted in improved compliance with Missouri laws, as many utilization review agents didn't know the law requires a Missouri licensed medical director. The number of licensed utilization review agents is remaining steady.

Life & Health

The Life & Health Section pre-approves all life and health policy forms that insurers use in the state. This prior-approval requirement extends to all group or individual insurance policies or annuity contracts issued by an insurer, health service corporation, fraternal benefit society, prepaid dental plan or HMO.

Missouri does not require filing or prior approval of life and health insurance rates, but long-term care and Medicare Supplement rates must be filed with the department. The section reviews long-term care insurance policies to verify that rates are established in accordance with actuarially sound principles and that rates are determined in accordance with long-term care regulations. Medicare Supplement rates are approved by the section. Federal and state laws require Medicare Supplement policies return benefits equal to at least 65 percent of the premium collected during the lifetime of the policy.

Credit insurance rates are reviewed only if an insurer's proposed rates exceed those in law or use rating methods different from the legal standards. The section monitors these deviations to maintain compliance with legal loss standards.

The section also assures that insurers offering health insurance coverage to Missouri's small businesses comply with the Small Employer Health Insurance Availability Act and the federal Health Insurance Portability and Accountability Act (HIPAA). Missourians benefit from whichever provisions of state or federal laws are more favorable.

Number of Licensed Life & Health Insurers by Type, 2007

Fraternal Benefit	33
Health Service Corporations	1
Life & Health	535
Prepaid Dental Plan	13

Property & Casualty

The Property & Casualty Section reviews forms, endorsements, rules and premium rates for auto, homeowners, workers' compensation, medical malpractice, other personal property lines and commercial property and liability coverage.

With few exceptions, Missouri has a use-and-file rate and form regulatory system, which promotes market competition. For most lines, companies are required to file the rates they are using within 10 days after their use. Workers' compensation insurers must file rates within at least 30 days.

With its use-and-file rate regulation, the department monitors rates by reviewing premium volume, market share, loss and experience, investment income, profitability, inflation trends, historical data and other criteria. Property & casualty insurers are required to file their underwriting guidelines, which gives the department an opportunity to monitor how an insurer treats the insurance-buying public.

Number of Licensed Property & Casualty Insurers by Type, 2007

Foreign Fire	6
Malpractice (383 RSMo)	5
Farm Mutual	7
Missouri Mutual	94
Mutual Casualty	52
Mutual Fire	26
Reciprocal Inter-Insurance Exchange	16
Stock Casualty	721
Stock Fire	91
Title	24

This section also has oversight of rating and statistical organizations and joint underwriting associations, such as state pools established to provide coverage for those who cannot obtain insurance in the voluntary market. The pools include: automobile insurance through the Missouri Joint Underwriting Association, dwelling insurance through the Missouri Property Insurance Placement Facility (FAIR Plan), the Workers Compensation Assigned Risk Pool and Medical Malpractice Joint Underwriting Association.

Workers' Compensation

The regulatory environment for most workers' compensation insurance rates in Missouri changed on January 1, 1994, when the state made a transition from an administered rate system in which the department set the rates charged by insurance companies to a competitive rating system in which the insurance companies within the voluntary market set their own final premium rates.

Under this competitive rating system, each year both the department and the National Council on Compensation Insurance, Inc. (NCCI) develop loss

costs for insurance companies to use in establishing final workers' compensation premium rates.

For the last three years rates have decreased by 6.68 percent. In 2005, the Missouri Legislature enacted Senate Bills 1 & 130. These pieces of legislation encompassed substantial revisions to the Workers' Compensation Act. By tightening the definition of "injury" and "accident" and increasing penalties for fraudulent behaviors, it is anticipated that both losses and premiums should continue to decrease.

Medical Malpractice

In 2007, the Health Care Stabilization Fund Feasibility Board began meeting in order to determine whether a health care stabilization fund should be established in Missouri. A health care stabilization fund essentially provides excess professional liability coverage for health care providers.

In a preliminary review, the board recommended to enhance the confidentiality of medical malpractice market data and assure the laws are clear as to what types of data need to be reported to the department. Other recommendations include enhancements to the information reported by doctors on annual license renewal forms, an independent study of the impacts of the 2005 tort reforms, and a study to determine whether doctors are moving from Missouri and if so, what factors might be influencing those moves.

By 2010, the board is required to provide a recommendation to the general assembly and the governor on whether a health care stabilization fund is feasible and is an appropriate solution to stabilize the affordability and availability of medical malpractice insurance in Missouri.

Division of Finance

Eric McClure, Director

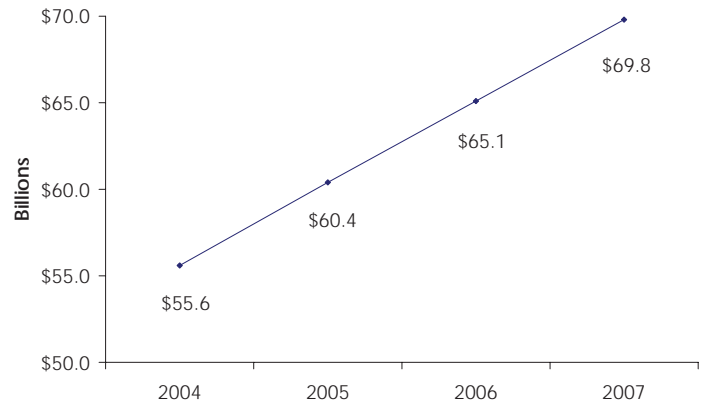
- Executes laws relating to banks, trust companies, savings and loans, consumer credit companies, credit services organizations and money order companies in Missouri
- Ensures the safety and soundness of financial institutions for Missouri consumers through financial examinations

Banks & Trust

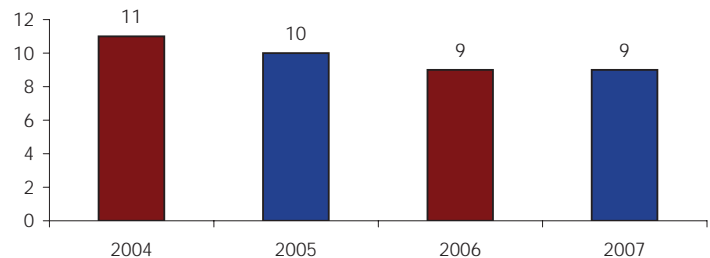
The Bank and Trust Examination Section regulates state-chartered banks and trust companies. The section is required to perform examinations of all state-chartered institutions at least once every 18 months for institutions rated satisfactory. Institutions rated less than satisfactory are examined at least once every 12 months.

On-site examinations are conducted on commercial bank activities, trust operations, and computer systems to evaluate the institution's risk profile and management practices. In addition, the section regularly conducts off-site statistical and financial reviews of each institution in order to identify emerging signs of elevated risk. Where abnormal risk concerns are noted, examiners visit the bank to develop proactive resolutions of developing problems. Banks and trust companies with significant weaknesses receive close regulatory attention including the possibility of enforcement actions designed to address and correct problem areas. The section may also take action to merge, close or otherwise address institutions with severe financial difficulties.

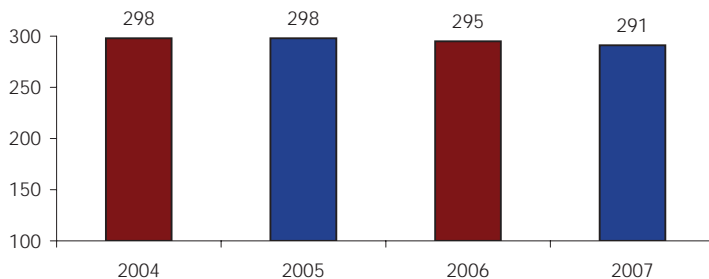
Total Assets of State-Chartered Banks, 2004 - 2007



Number of Trust Companies, 2004 - 2006



Number of State-Chartered Banks, 2004 - 2006

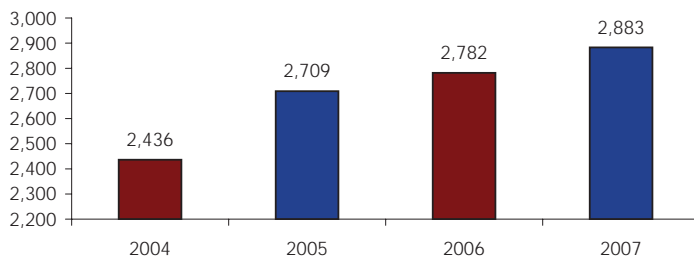


Consumer Credit

The Consumer Credit Section is responsible for executing laws related to consumer transactions under several state and federal statutes. The section also handles complaints and inquiries concerning entities which must comply with consumer protection laws.

The companies licensed and examined by this section include retail credit institutions, motor vehicle time sales creditors, consumer credit lenders, consumer installment lenders, payday lenders, title loan lenders, premium finance companies, credit repair companies, and companies which issue money orders, traveler's checks or transmit funds electronically. The section enforces the anti-redlining laws relative to all state-chartered banks, savings and loan associations, licensed financial institutions and mortgage brokers. These laws prohibit discrimination in making loans secured by residential real estate because of location of the property or race, age, sex, marital status, religion or national origin of the borrower.

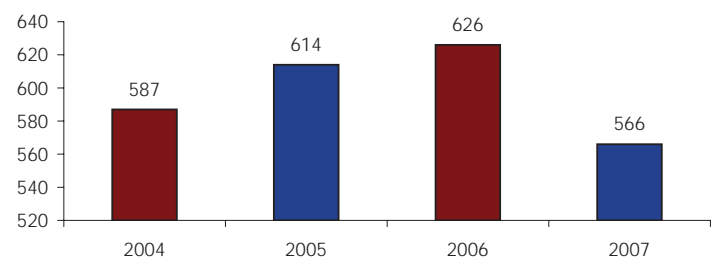
Number of Consumer Credit Companies, 2004-2007



Mortgage Brokers & Savings & Loan Associations

The Mortgage Brokers & Savings & Loan Associations Section is responsible for enforcing the laws that regulate residential mortgage brokers. Supervision includes licensing and investigative powers. A license is required to broker residential real estate mortgages unless the individual or company qualifies for an exemption. Before issuing a license, the division is required to investigate each applicant for character, general fitness, experience and financial responsibility.

Licensed Mortgage Brokers, 2004 - 2007



This section also supervises six state-chartered savings and loan associations. Supervision includes periodic examinations to determine safety of operations and compliance with applicable laws. Federally chartered savings institutions are regulated by the Office of Thrift Supervision, and can be identified by “federal”, “F.S.B.”, or “federal savings bank” appearing in their titles.

Division of Credit Unions

Sandy Branson, Director

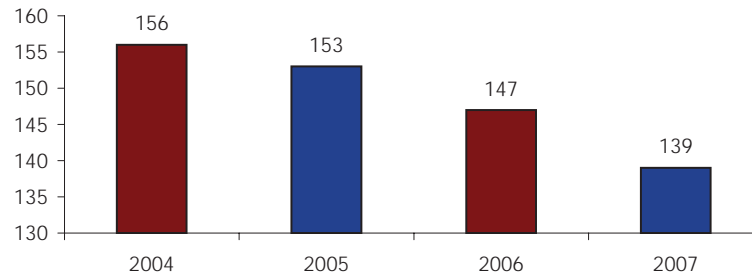
- Oversees the examination, supervision, chartering, merger and liquidation of credit unions
- Responds to consumer complaints about credit union services and operations

The Division of Credit Unions is the regulatory agency responsible for the examination, supervision, chartering, merger and liquidation of all state-chartered credit unions. The division also responds to consumer requests or complaints in regard to credit union services or operations. The division is an accredited agency through the National Association of State Credit Union Supervisors and all member deposits are insured by the National Credit Union Administration, an agency of the federal government.

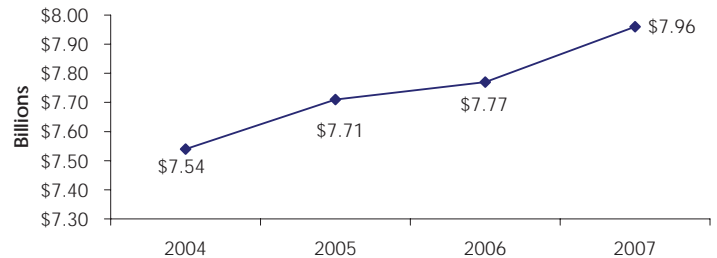
This division is statutorily required to conduct examinations of state-chartered credit unions at least once every 18 months for qualifying credit unions. Examinations are conducted to ensure the safety and soundness of credit unions and to ensure they are complying with applicable rules, regulations and statutes. The division proactively performs off-site monitoring on an ongoing basis to assist in identifying increasing risk. Credit Unions incurring problems, whether financial, operational or in compliance areas, receive increased attention which may come in the form of enforcement actions.

As of December 31, 2007, Missouri ranked eighth in the nation in the number of state-chartered credit unions. Approximately 1.2 million people are members of Missouri credit unions.

Number of Credit Unions, 2004-2007



Credit Union Assets, 2004 - 2007



Division of Professional Registration

David Broeker, Director

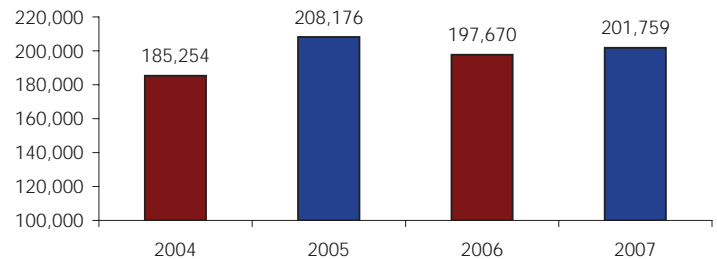
- Licenses qualified professionals, appropriately enforcing standards and maintaining an open communication network among over 400,000 professional Missourians
- Supports 39 professional licensing boards that process applications, administer examinations and conduct investigations into possible professional misconduct

The division exists to serve and protect the public by providing an accessible, responsible and accountable system for the various trades and professions it regulates.

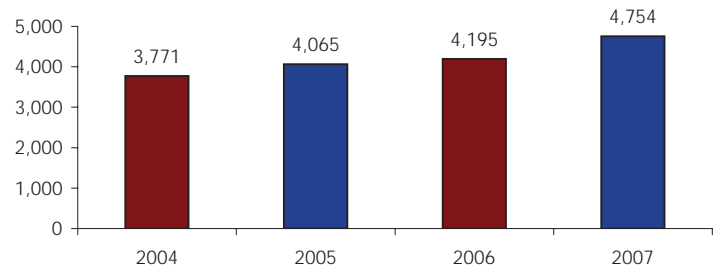
Several of the boards offer free educational seminars related to ethics, supervision requirements and continuing education to licensees. This education assists licensees in understanding the regulations for their profession, provides opportunities for face-to-face communication with the board and helps to reduce the number of complaints the boards receive from consumers.

Over the past few years, the division has combined and shared several staff positions and resources allowing several boards to reduce licensing fees. The division benefits from several other cost-savings measures including the negotiation of contracts for lodging costs for out-of-town board meetings, legal and investigation services, drug testing and examination services. Other cost-savings come from the use of various electronic systems. Electronic communication with board members saves printing, copying and postage costs and on-line licensing renewal systems provide better customer service and reduce staff time spent on this process.

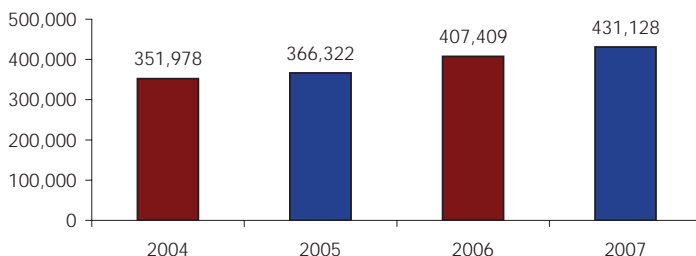
Number of License Renewals Processed, 2004-2007



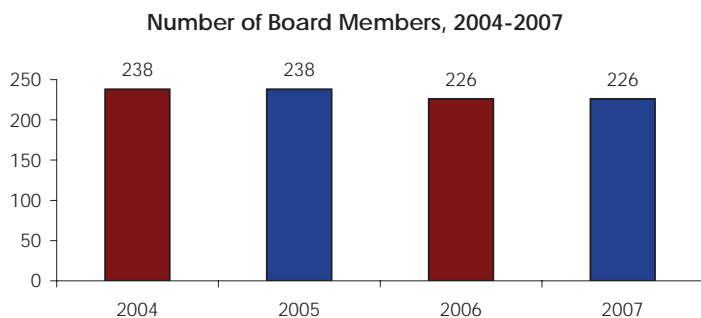
Number of Complaints, 2004-2007



Number of Licensed Professionals, 2004-2007



Most board members are nominated by the director of the Division of Professional Registration and appointed by the governor with the consent of the Senate for terms established by the statutes governing each board.



Boards & Commissions

Board of Accountancy

Acupuncturist Advisory Committee

Board for Architects, Professional Engineers,
Professional Land Surveyors & Landscape Architects

Office of Athletics

Office of Athlete Agents

Board of Cosmetology & Barber Examiners

Board of Chiropractic Examiners

Committee for Professional Counselors

Dental Board

Advisory Commission for Dental Hygienists

Committee of Dieticians

Board of Embalmers and Funeral Directors

Endowed Care Cemetery Advisory Committee

Board of Geologist Registration

Board of Registration for the Healing Arts

Advisory Committee for Professional Physical
Therapists

Advisory Commission for Speech Language
Pathologists & Clinical Audiologists

Advisory Commission for Physician Assistants

Advisory Commission for Clinical Perfusionists

Advisory Commission for Anesthesiologist Assistants

Athletic Trainers Advisory Committee

Board of Examiners for Hearing Instrument
Specialists

Interior Design Council

Committee of Interpreters

Committee of Marital & Family Therapists

Board of Therapeutic Massage

Board of Nursing

Board of Occupational Therapy

Board of Optometry

Board of Pharmacy

Board of Podiatric Medicine

Board of Private Investigator Examiners

Committee of Psychologists

Real Estate Commission

Real Estate Appraisers Commission

Board for Respiratory Care

Committee for Social Workers

Office of Tattooing, Body Piercing & Branding

Veterinary Medical Board

Resource Administration Division

Rochelle Hendrickson, Director

- Conducts department-wide administrative support functions including accounting, human resources, budget and information systems coordination
- Licenses insurance producers, public adjusters, bail bond agents and surplus lines brokers

Human Resources

The Human Resources Section administers employee pay and benefits, develops and implements employee policies and procedures, recruits applicants and trains employees.

Although the department is not a state merit system agency, department employees have titles and salaries based on a statewide classification and pay system under which job classifications are assigned to pay grids.

Budget

The fiscal year 2008 operating budget (excluding transfers) of the department is \$35.6 million with 528 employees. The department receives no general revenue support and is funded through fees and assessments to industries the department regulates.

FY 2008 Total Appropriation (Millions)

Insurance Divisions	\$14.2
Division of Finance	\$6.3
Division of Credit Unions	\$1.2
Division of Professional Registration	\$13.9
Total Appropriation	\$35.6

The department's fiscal year budget, including various sums received and disbursed, is available on the department's Web site at www.difp.mo.gov.

Support Services

The Support Services Section administers the receipt and expenditures of state insurance funds along with support functions, including accounts payable, accounts receivable, procurement, mailroom and storeroom, inventory and the department's fleet.

Producer Licensing

The Producer Licensing Section reviews and processes applications from individuals and agencies seeking licensure to transact insurance and bail bond business in Missouri.

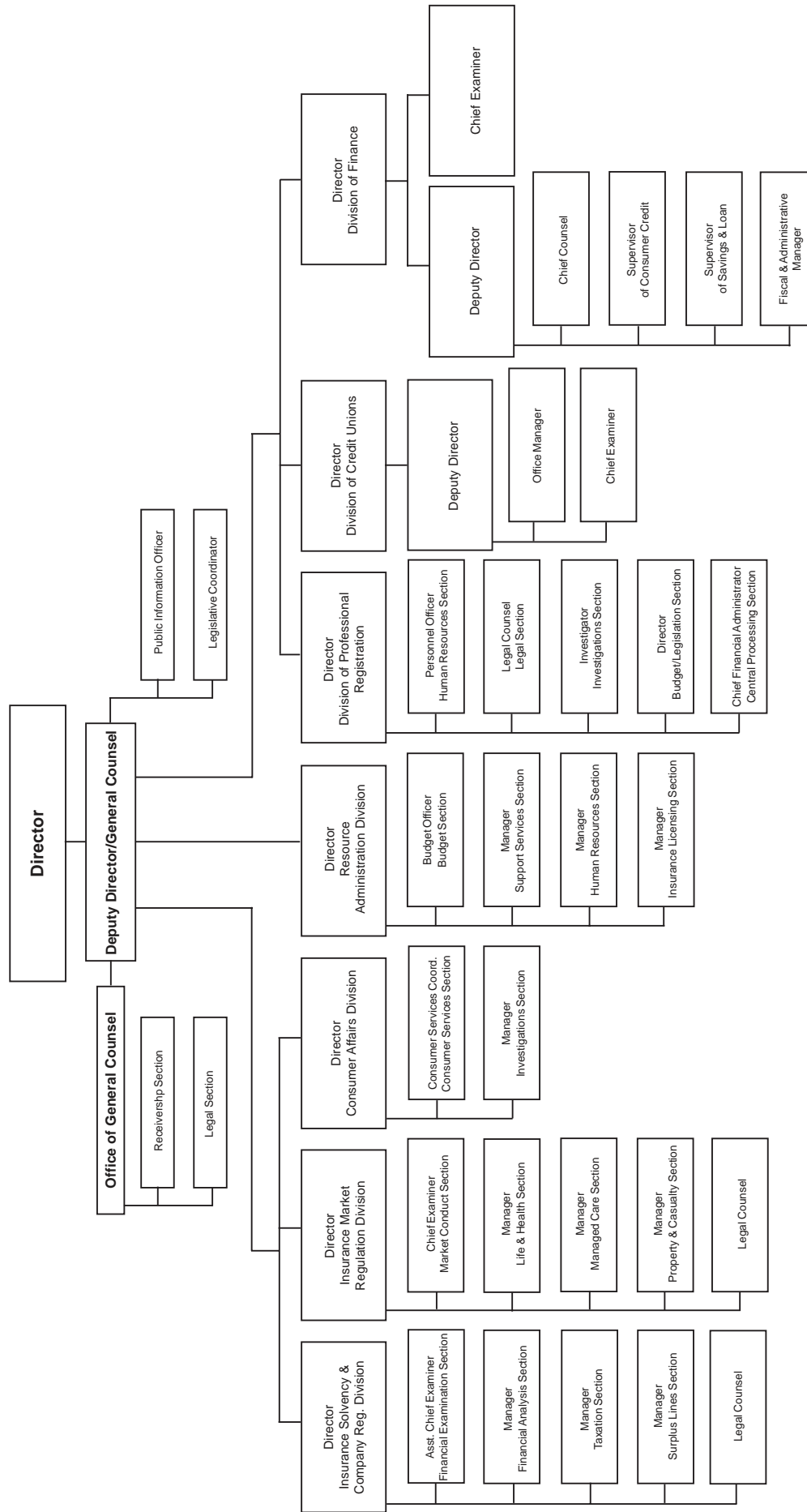
With the implementation of electronic producer application and renewal through the National Insurance Producer Registry (NIPR), insurance producers now have the option to apply and renew online and skip the hassle of paper applications. Currently, Missouri is one of only a handful of states nationwide to accept electronic applications and renewals for both resident and nonresident licenses. The department is hopeful that all licenses and renewals will be filed electronically in the near future. Insurance licenses are issued on a biennial basis with approximately half renewing in any given year.

Missouri's use of the NAIC State Producer Licensing Database (SPLD) allows the department to grant licensure to insurance producers based upon their licensure in their home state. This reciprocal process makes the licensing process in this state quicker and more economical for insurance producers and companies.

Total Number of Licenses, 2007

Producers	113,813
Business entity producers	12,829
Surplus line producers	1,045
Public adjusters	46
General bail bond agents	137
Bail bond agents	813
Surety recovery agents	30
Public adjuster solicitors	7

Department Organizational Structure



Department Contact Information

Department of Insurance, Financial Institutions and Professional Registration

301 West High St.
Truman State Office Building, Room 530
P.O. Box 690
Jefferson City, MO 65102-0690
573-751-4126
www.difp.mo.gov

Consumer Affairs Division, Insurance Solvency & Company Regulation Division, Insurance Market Regulation Division or Resource Administration Division

301 West High St.
Truman State Office Building, Room 530
P.O. Box 690
Jefferson City, MO 65102-0690
573-751-4126
www.insurance.mo.gov

Consumer Insurance Hotline

1-800-726-7390
573-751-2460 (local)
573-526-4536 (TDD)

Division of Credit Unions

301 West High St.
Truman State Office Building, Room 720
P.O. Box 1607
Jefferson City, MO 65102
573-751-3419
www.cu.mo.gov

Division of Finance

301 West High St.
Truman State Office Building, Room 630
P.O. Box 716
Jefferson City, MO 65102
573-751-3242
www.missouri-finance.org

Missouri Homeowner Hotline

1-888-246-7225

Division of Professional Registration

3605 Missouri Blvd.
P.O. Box 1335
Jefferson City, Missouri 65102
573-751-0293
www.pr.mo.gov